

## LABOR FORCE UNDERUTILIZATION AS A SOCIAL AND ECONOMIC PROBLEM IN MOLDOVA

Olga SARBU<sup>1</sup>, Liliana CIMPOIES<sup>2</sup>

<sup>1</sup>State Agrarian University of Moldova, 42 Mircesti St, Chisinau, Moldova Email: o.sarbu@uasm.md

<sup>2</sup>Academy of Economic Studies of Moldova, 61 B. Bodonu Blvd, Chisinau, Moldova, Email: liliana.cimpoies@gmail.com

**Corresponding author:** o.sarbu@uasm.md

### Abstract

*Human capital and labor are important factors for economic growth and social progress. Labor growth is one of the core components of economic growth. For any society, ensuring the fullest and most productive employment of the labor force is economic policy's major objective. Being a derivative market, the labor market fully reflects the national economy successes or failures. The instability of the economic indicators, the diminution of the population's standard of living and quality of life lead to a regress in the labor market. This situation is reflected in the dynamics of the employment indicators. The aim of this study is to analyze the underutilization of the labor force in the Republic of Moldova as a social and economic problem. This research is based on the analysis of the current legislative, normative acts in the Republic of Moldova. The analytical indicators calculations were made based on the data of the National Bureau of Statistics(NBS), National Agency for Labor Force Employment (NALFE). The study was carried out through a systemic approach, being applied the methods of quantitative and qualitative analysis, synthesis, systematic methods and static analysis.*

**Key words:** demographic situation, potential workforce, extended workforce, underutilization of workforce

### INTRODUCTION

Population employment and its quality depends on the level of vocational training. The economy is based on innovation and knowledge, thus, only a well-trained and skilled labor force can be competitive on the market [13]. The demographic decline in the Republic of Moldova derives from the negative evolution of the three components (birth rate, mortality, external migration) that determine the size and age structure of the population [14]. The decrease in the number of the population is a permanent phenomenon. It is caused by the decrease of the social-economic and living level, change of the individual and cultural values, external migration and population's aging. As a result, we face with a change in the structure of the population by age in favor of the older age groups, that represent a risk factor due to the increase of elderly person's share in the population's structure. The transformations in social and labor relations caused a change in

the government's role in the field of employment from monopoly law in the use of labor to the free labor choice in the area, the sources of income, the voluntary choice to be a person able to work or not employed. Thus, the solution of the emerging problems that arise in this field requires a conceptual and scientific-methodological support and a more in-depth study [15]. There is a lot of research in the field, mostly descriptive, which does not reflect the impact of labor market determinants and their insufficient regulatory mechanism. Thus, this problem is actual for the Moldova, with an important practical significance. In this paper we analyze the level of involvement of the population able to work in the economic activity. The indicators used to characterize the potential of labor market are expressed in both absolute and relative size, which allows comparisons between markets, of same or different levels. The indicators expressed in absolute size are the following: the active population, the employed population and unemployed (the

unemployed active population)[13]. In relative size they are expressed through the activity rate, the employment rate and the unemployment rate.

The labor underutilization refers to differences between labor supply and demand, which is expressed by a need of unsatisfied employment among population.

Underemployed persons in relation to labor time are considered persons who meet the following criteria: they want and are available to work overtime; the hours actually worked in all activities are below the set limit.

According to some estimates, under the processes of economic globalization some changes will appear in the field of employment: a) increasing the level of initial training and adapting it to the labor market relations from the first years of training, will become an essential criteria for both the enterprises location, as well as for their ability to develop or adapt to transformations of the new production conditions and their markets; b) increasing the share of the elderly in active population (17.7% in 2017) which will intensify the pressure on the employed population; c) the principles of promoting the workers according to seniority will become inapplicable due to the active population aging in their full professional career; d) the distribution of the economic activity in the territory will become one of the essential aspects of the employment policy; f) the economic growth will guarantee a sufficient level of employment in each territorial unit.

The policy of adapting the job offer to demand is of particular importance in employment. Policy instruments of adapting the supply of labor to demand can be divided into two groups: passive and active instruments [12]. Passive employment policy instruments include passive compensation expenses, such as: unemployment insurance, social assistance scheme for workers at the end of the statutory period of compensation. Initially, unemployment benefits were intended to offset income losses for a relatively short period. However, the prolongation of the duration of unemployment and the fact that an increasing number of

workers, especially the elderly, cannot find a job, have reduced the amount and the duration of the compensation. The active tools of the policies to adapt the job offer to the demand are oriented to stimulate the integration of the newcomers into the labor market or the reintegration of the long-term unemployed [6]. The development of the labor market, to a large extent, depends on the economic situation of the country. It fully reflects the successes or failures that take place in the national economy. The Moldova's economy has faced a series of imbalances, changes, adjustments and readjustments, both structural and institutional, legislative, behavioral, aimed at creating and operating the new economic mechanism based on market relations, competition, increasing the competitiveness of the national economy etc [16]. At the same time, some disfunctions have been recorded as economic indicators fluctuations, decrease in living conditions and life quality as well as of the quality of human capital. The local labor market has undergone profound transformations generated by economic reforms, with direct influences on the quality of the human factor. In addition, social conditions caused the reduction of population, particularly active population and continued the ageing trend. Analyzing the structure of the active population by age groups, there are obvious trends of its aging.

## MATERIALS AND METHODS

For the given research, the methodological reflections of the local and foreign scientists regarding the labor employment problem were analyzed. Also, statistical data on the labor force, from the Statistical Yearbook of the Republic of Moldova (2018) were examined. To measure labor force underutilization level in Moldova, the following indicators were calculated and analyzed: unemployment rate (LU1); the compound rate of underemployment in relation to time and unemployment (LU2); compound unemployment rate and potential workforce; (LU3) and the composite indicator of labor underutilization. (LU4) [8]. The investigation was carried out using the methods of

quantitative and qualitative analysis, synthesis, comparison and reasoning.

## RESULTS AND DISCUSSIONS

The labor market is closely related to working population. To study these correlations we used indicators as: active population size, employed population, underemployed population, number of unemployed, inactive population.

The analysis of the active population during 2011-2018 has evolved differently, but recently an increase from 1,272.8 thousand people in 2016 to 1,290.7 in 2018 is observed. This fact contributed to the increase of employed population from 1,207.5 thousand people in 2016 to 1,252.2 in 2018 (Table 1). As a result, the number of unemployed decreased from 51.6 thousand people in 2016 to 38.4 in 2018.

Table 1. Evolution of the indicators regarding the relation of the working population with the labor market

	2011	2012	2013	2014	2015	2016	2017	2018
Active population, Thou. pers.	1,257.5	1,214.5	1,235.8	1,232.4	1,265.6	1,272.8	1,259.1	1,290.7
Employed population, Thou. pers.	1,173.5	1,146.8	1,172.8	1,184.9	1,203.6	1,219.5	1,207.5	1,252.2
Underemployed population, thousand persons	90.5	83.0	86.0	80.1	74.7	80.7	75.4	78.9
Unemployed, Thou. pers.	84.0	67.7	63.1	47.5	62.1	53.5	51.6	38.4
Inactive population, Thou. pers.	1,768.1	1,751.2	1,756.1	1,717.6	1,721.7	1,712.7	1,724.7	1,692.2
Including being in some reasons of inactivity:								
- searching for a job, but are not able to work	2.2	1.0	1.1	1.6	1.1	1.1	1.1	1.1
- does not search, is available to work	35.1	25.4	17.7	33.4	15.8	17.7	16.2	17.9
- want to work, but does not search for a job and is not available	5.7	4.1	3.2	10.2	6.9	13.0	12.4	9.6
- does not search for a job and is not available	1,396.8	1,388.1	1,392.3	1,355.6	1,372.5	1,361.9	1,345.8	1,358.7
- is working abroad	328.3	332.5	341.9	316.9	325.4	319.0	306.2	314.5

Source: based on data from National Bureau of Statistics.

Underemployed people are employed persons, who during some period of time would prefer to work overtime; the working time, at all the employments is below the set time limit of 40 hours; and is available to work overtime, if given the opportunity. The number of underemployed persons is 78.9 thousand, with a share of 6.2% from total employed persons. The number of people in this category decreased in 2018 by 6.5% compared to its level in 2016. Each eighth employed person (12.8%) stated that would prefer to change the situation in relation to the current workplace, because is not satisfied with the level of

retribution (inadequate situation in relation to the income). Most of them (87 percent) desire a higher hourly wage. Their share of total employment accounted 11.1%, being slightly lower than the previous year (12.0%). Others are ready to work extra hours for a higher income [11].

The number of unemployed, according to the definition of the International Labor Office (ILO), is 51.6 thousand, with 3.2% lower than its level in 2016 (53.3 Thou. pers.).

Unemployment affects mostly men - 59.9% from total unemployed and mostly people living in urban areas - 64.7% [10].

In order to evaluate the level of underutilization of the workforce, it is necessary to analyze such indicators as "potential workforce" and "extended workforce".

The potential workforce includes all employed people who, during a short period of time, were neither employed nor unemployed and: carrying out "job search"

activities, were "not available at the time", but they could become available in a short period of time or they were not carry out "job search activities", but they want to work and were "available at the moment" [8]. Extended workforce is defined as the sum of the workforce plus the potential workforce. (Table 2).

Table 2. Labor force indicators for 2011-2018

	2011	2012	2013	2014	2015	2016	2018	2019
Labor force, Thou. pers.	1,257.5	1,214.5	1,235.8	1,232.4	1,265.6	1,272.8	1,259.1	1,290.7
Potential labor force, Thou. pers.	35.1	37.4	26.4	18.8	16.8	17.7	16.2	17.9
Extended labor force, Thou. pers.	1,292.5	1,251.9	1,262.2	1,251.2	1,282.4	1,290.5	1,275.3	1,308.6

Source: based on data from National Bureau of Statistics.

According to the new international standard, starting with 2016, the characteristic of underutilization of the labor force is carried out by the following indicators [10]:

**1. The unemployment rate:**

$$LU1 = \frac{\text{unemployed}}{\text{labour force}} * 100; (1)$$

**2. The compound rate of underemployment in relation to time and unemployment:**

$$LU2 = \frac{\text{underemployed persons} + \text{unemployed}}{\text{labour force}} * 100; (2)$$

**3. The compound rate of unemployment and potential labor force**

$$LU3 = \frac{\text{potential labour force} + \text{employed persons}}{\text{expanded labour force}} * 100; (3)$$

**4. The composite indicator of underutilization of the labor force:**

$$LU4 = \frac{\text{potential labour force} + \text{unemployed} + \text{underemployed persons}}{\text{expanded labour force}} * 100; (4)$$

Labor underutilization indicators shows that the unemployment rate (LU1) registered a value of 4.1%, without significant changes compared to 2017 (4.1%) (Table 3). The unemployment rate was for men - 4.8%, and for women - 3.3%.

Table 3. Evolution of the determinants of participation in the economic activity of the working age population

	2011	2012	2013	2014	2015	2016	2017
Activity rate, %	42.3	40.7	41.4	41.2	42.4	42.6	43.3
Employment rate, %	39.4	38.4	39.3	39.6	40.3	40.8	42.0
Under-employment rate, %	7.7	7.2	7.3	6.8	6.2	6.6	6.2
<i>Indicators of labor force underutilization</i>							
Unemployment rate (LU1), %	6.7	5.6	5.1	3.9	4.9	4.2	4.1
The compound rate of under-employment and unemployment (LU2), %	13.9	12.4	12.1	10.4	10.8	10.5	10.1
The compound rate of unemployment and potential labor force (LU3), %	9.2	8.4	7.1	5.3	6.2	5.6	5.1
The composite indicator of underutilization of the labor force (LU4), %	16.2	15.0	13.9	11.7	12.0	11.8	11.0

Source: based on data from National Bureau of Statistics.

There are significant disparities between the average values: 5.7% in urban areas, compared to 2.7% in rural areas. Among young people (15-24 years) the unemployment rate was 11.8%. In the age category 15-29 years this indicator had the value of 8.1%, by region, we observe that they had a higher impact in Chisinau (rates LU1

and LU3), North area (rates LU2 and LU4) and Center area (rates LU2 and LU4).

Table 4. Evolution of the indicators regarding the level of participation of the working age population in the economic activity and the underutilization of the labor force by development regions in the Republic of Moldova, 2011-2016

	2011	2012	2013	2014	2015	2016
<b>Chisinau Municipality</b>						
Activity rate, %	54.2	54.0	53.3	51.4	51.3	49.7
Employment rate, %	49.2	49.6	50.0	48.5	47.8	46.9
Unemployment rate (LU1), %	9.3	8.2	6.3	6.0	7.0	5.7
The compound rate of underemployment and unemployment (LU2), %	12.8	11.8	9.4	9.1	11.3	9.5
The compound rate of unemployment and potential labor force (LU3), %	11.1	10.2	7.8	6.9	7.5	6.4
The composite indicator of underutilization of the labor force, (LU4), %	14.5	13.8	10.9	9.9	11.8	10.2
<b>North Region</b>						
Activity rate, %	39.0	38.7	39.6	40.8	44.4	44.9
Employment rate, %	37.0	36.9	38.0	39.9	42.4	43.1
Unemployment rate (LU1), %	5.2	4.6	3.9	2.4	4.5	4.0
The compound rate of underemployment and unemployment (LU2), %	15.3	14.2	12.9	10.0	10.3	12.3
The compound rate of unemployment and potential labor force (LU3), %	8.8	8.2	5.9	4.4	6.0	5.4
The composite indicator of underutilization of the labor force, (LU4), %	18.5	17.4	14.7	11.8	11.7	13.5
<b>Center Region</b>						
Activity rate, %	39.8	37.5	38.9	38.0	38.8	40.7
Employment rate, %	37.6	35.8	37.0	36.8	37.3	39.0
Unemployment rate (LU1), %	5.7	4.5	4.9	3.2	4.0	4.2
The compound rate of underemployment and unemployment (LU2), %	14.8	12.6	14.5	12.5	12.9	12.1
The compound rate of unemployment and potential labor force (LU3), %	7.8	7.4	6.8	4.4	5.4	5.7
The composite indicator of underutilization of the labor force, (LU4), %	16.7	15.3	16.3	13.6	14.2	13.5
<b>South Region</b>						
Activity rate, %	37.0	33.2	33.7	34.3	33.9	33.8
Employment rate, %	34.7	31.8	31.8	33.1	32.8	33.2
Unemployment rate (LU1), %	6.2	4.1	5.6	3.6	3.4	1.8
The compound rate of underemployment and unemployment (LU2), %	12.0	10.0	11.4	9.7	7.4	5.9
The compound rate of unemployment and potential labor force (LU3), %	8.9	6.9	8.3	5.6	5.3	4.3
The composite indicator of underutilization of the labor force, (LU4), %	14.5	12.7	14.0	11.5	9.3	8.4

Source: based on data from National Bureau of Statistics.

At the same time, in the South area were registered lower rates than the national average. According to the level of economic activity and employment, the rates of these indicators are different by region, in 2016 with decreasing trends in Chisinau compared to previous years, which includes a better involvement of the labor force in economic activities (Table 4).

If we refer to the impact expected by applying the indicators regarding the underutilization of the labor force, these will contribute to the

decrease of the level of participation in the economic activity, of employment and unemployment rate, will allow to monitor more effectively the access to the paid work, as well as to the clear identification of the potential workforce (indicators LU2 and LU3). Besides the implementation of the indicators (standards) established by the International Labor Organization (ILO), the administrative data of the National Agency for Labor Force Employment (NALFE) is used. This data refers to the working

population in situation of unemployment, which also recommends some quantitative and qualitative characteristics of labor force potential [9].

Table 5. Characteristics of the indicators regarding unemployment registered by NALFE, including among young people

	2011	2012	2013	2014	2015	2016
Registered unemployment rate, %	3.6	2.8	1.9	1.7	2.1	2.1
Number of unemployed persons registered, persons	67,254	51,378	43,463	42,166	50,612	50,063
From which: - share of young people (16-29 years), %	35.8	35.2	35.6	33.6	32.3	31.0
Number of available places, units	28,250	35,049	37,530	41,536	42,345	44,612
Unemployed which found a job, %	20.14	30.29	38.47	38.81	33.2	35.2
Share of young people with a job, %	21.9	32.5	41.8	44.1	37.1	40.0
Young people graduates of vocational training, persons	1,630	1,828	1,822	2,037	2,089	1,960
From which: found a job compared to the trainings graduates, %	66.6	73.2	78.2	85.6	78.2	93.7
School graduates, persons	691	691	702	383	680	560
including: in % the share of those who found a job from those registered	22.1	27.5	35.5	75.5	31.9	65.5
Graduates of secondary vocational schools, persons	230	218	185	92	216	126
including: the share of those that found a job comparing to the registered ones, %	20.4	22.0	44.3	52.2	28.2	57.9
Graduates of specialized higher education institutions (colleges), persons	101	98	85	46	65	54
including: the share of those which found a job comparing to registered ones, %	25.7	40.8	57.5	65.2	49.2	44.4
Graduates of higher education institutions, persons	404	335	353	178	267	177
including: the share of those who found a job comparing to registered ones, %	26.0	47.8	41.6	53.9	37.4	41.2
Coefficient of labor force replacement (the ratio of employees / released)	1.008	0.990	1.032	1.030	0.950	0.972

Source: based on data from NALFE.

Almost one third of registered unemployed people are young people who require vocational training to be placed in the labor market (Table 5). One of the reasons for the underutilization of the labor force is the established working regime, particularly the incomplete regime (partial, temporary employment, etc.). The working regime with the most complete employment was registered in 2015-2016, when about 94.0% of the employed population worked a full day, and 6%, worked partially (part-time). Naturally, the situation of the working regime for the analyzed period was uneven and in 2011-2015

there is a tendency of increase in the share of employees with the weekly working regime 0-30 hours, in 2016 the share of employees with the working regime 40 hours and over 75.1% of the total number of employees.

The normal working time of the employees cannot exceed 40 hours per week according to art. 95-97 of the Labor Code of the Republic of Moldova [1]. For some categories of employees, depending on age, health status, working conditions or other circumstances, according to the labor legislation, and the individual employment contract, the reduced working time is established to: 24 hours for

employees aged 15 to 16, 35 hours for employees aged 16 to 18, as well as 35 hours for employees working in harmful working conditions according to the nomenclature

approved by the Government, including for certain categories of employees whose work involves increased intellectual and psycho-emotional effort [5].

Table 6. Characteristics of the working regime of the employed population and of the employees (weight of the population with the respective working regime in% compared to the employed / total employee)

Week duration	2011	2012	2013	2014	2015	2016	2011	2012	2013	2014	2015	2016
	<b>Employed population</b>						<b>Employee</b>					
0-20 hours	7.7	8.0	8.4	8.3	9.0	8.5	7.5	8.1	8.6	8.7	9.6	8.9
21-30 hours	12.6	14.3	15.5	15.7	17.0	18.1	5.9	6.8	6.9	6.9	6.7	5.8
31-39 hours	12.1	11.6	12.2	14.3	15.2	14.8	8.0	7.3	7.9	9.4	11.9	10.1
40 hours	40.1	40.7	38.0	36.3	32.9	34.9	52.4	52.9	50.9	49.4	45.9	50.4
Over 41 hours	27.5	25.4	25.9	25.4	25.9	23.7	26.2	24.9	25.7	25.6	26.0	24.7
0-30 hours	20.3	22.3	23.9	24.0	26.0	26.6	13.4	14.9	15.5	15.6	16.3	14.7
Over 40 hours	67.6	66.1	63.9	61.7	58.8	58.6	78.6	77.8	76.6	75.0	71.9	75.1
	<b>Employed population in urban area</b>						<b>Employed population in rural area</b>					
0-20 hours	7.0	7.4	7.9	7.9	9.1	8.4	7.5	8.8	9.0	8.4	9.1	9.0
21-30 hours	5.9	8.0	7.6	7.1	8.2	8.2	18.7	20.1	22.5	22.9	24.6	26.4
31-39 hours	8.6	7.9	8.4	10.3	12.4	11.0	15.2	15.0	15.5	17.6	17.6	18.0
40 hours	52.7	52.6	51.1	49.6	43.1	47.2	28.7	29.4	26.3	25.4	23.9	24.6
Over 41 hours	25.8	24.1	25.0	25.1	27.2	25.2	29.9	26.2	26.7	25.7	24.8	22.0
0 – 30 hours	12.9	15.4	15.5	15.0	17.3	16.6	26.2	28.9	31.5	31.3	33.7	35.4
Over 40 hours	78.5	76.7	76.1	74.7	70.3	72.4	58.6	55.6	53.0	51.1	48.7	46.6

Source: based on data from National Bureau of Statistics.

A reduced working time or 30 hours per week was foreseen for 1st and 2nd degree disabilities, as well as the part-time day or part-week work, can be established by the agreement between the employee and the employer, considering some circumstances due to the state of health, childcare or care of a sick family member, according to the medical certificate. According to the legislation, the remuneration of the work of the aforementioned employees in these cases (article 97 of the Labor Code) is carried out in proportion to the time worked or according to the volume of the work done, without limiting the rights to the calculation of the seniority in work or the contribution period (except the cases provided for by the legislation in force),

the duration of the annual rest leave or other work rights.

From the analysis of the work regime for 2016, it appears that only 75% of the employees with the complete work regime have the minimum wage guaranteed in full volume, and on the other hand - depending on the hours worked or about 25% of the employees have the regime of working up to 30 hours weekly (Table 6).

According to the Wage Law [8], a guaranteed minimum wage (12, 13) was approved calculated based on the average working time of 169 hours per month. Therefore, "part-time" working regime is a social problem, because the employees within this category and the members of their families, most

likely, fall into the category of vulnerable social groups, situated at “poverty risk” [6].

Table 7. Distribution of employees according to the salary size calculated annually for the month of September

Persons that received wage in the amount of	2013	2014	Persons which received wage	2015	2016 Total	Including in	
						Budgetary sector	Real sector
until 1,000 MDL	0.5	0.2	until 1,000.0 MDL	0.2	0.1	0.01	0.10
900.1–1,200 MDL	6.2	4.4	1,000.01–1,500.0 MDL	6.7	4.3	12.67	0.42
1,200.1–1,600 MDL	16.2	7.6	1,500.01–2,000.0 MDL	13.4	6.0	12.87	2.77
1,600.1–2,000 MDL	11.2	15.7	2,000.01–2,500.0 MDL	11.8	16.4	8.49	20.13
2,000.1–3,000 MDL	20.8	20.0	2,500.01–3,000.0 MDL	10.8	10.7	8.56	11.64
3,000.1–4,000 MDL	16.5	16.5	3,000.01–4,000.0 MDL	16.5	16.2	13.30	17.51
4,000.1–5,000 MDL	11.6	13.1	4,000.01–5,000.0 MDL	13.4	13.8	14.43	13.52
5,000.1–6,000 MDL	6.7	8.5	5,000.01–6,000.0 MDL	9.9	10.6	13.88	9.10
over 6,000 MDL	10.3	14.1	6,000.01–7,000.0 MDL	6.0	7.2	8.09	6.75
			7,000.01–8,000.0 MDL	3.5	4.5	3.95	4.81
			8,000.01–10,000.0 MDL	3.4	4.4	2.34	5.37
			over 10,000.0 MDL	4.4	5.8	1.41	7.88
Average wage calculated in September for personnel who worked a whole month, MDL	3,552.1	3,981.0	Average wage calculated in September for personnel who worked a whole month, MDL	4,379.8	4,850.1	3,926.9	5,284.8
Minimum amount of existence of working population, MDL	1,710.0	1,726.8	Minimum amount of existence of working population, MDL	1,842.2	1,914.7		

Source: based on data from National Bureau of Statistics.

Thus, to evaluate the employment level, its characteristics, specificity and consequences in the field is needed. This problem should be “priority” of public authorities dealing with labor policies and of society next to unemployment, as a characteristic of not using the potential of the labor force, being formally employed under the conditions of the full time job, as well as to evaluate the demand and supply of labor force in the process of economic development.

From the analysis of the statistical data obtained from the annual research in the month of September, which includes the people who worked a full month full-time, it is observed that for September 2016, about 10% of employees and about 25% of employees in the budget sector have wages smaller than the minimum amount of existence of the working population (in 2013-2014 the share of employees whose salary was up to 2,000 MDL had a share of 34.1% and 27.9% respectively (Table 7).

Employed people that receive a salary equal or less than the existence minimum (1,600 MDL) registered a share of 22.9% in 2013 and 12.2% in 2014. In 2015, employed people that benefited from salaries level until 2,000

MDL had a share of 20.3%, which decreased in 2016 to 10.4%. In 2016, the share of persons that received a wage up to 2,000 MDL was of 25.6% for the people employed in budgetary sector, while 3.3% were employed in the real sector. The reason for the appearance of such a gap is related to the formation of the current retribution system. The wage amount received by people employed in the budgetary sector is based on minimum wage law, this amount constituted 1,000 MDL on October 1, 2014, being valid also during the period 2015-2016. Regarding the wage amount received in the real sector, it is based on the minimum wage and is reviewed by the Government according to the increase of labour productivity at national level and the consumer price index [7].

In 2015 was reviewed the minimum wage amount received in the real sector. That amount increased to 190 MDL or 11.25 MDL per hour [2]. Furthermore in 2016 the minimum wage amount for real sector is raised at 2,100 MDL or 12.43 MDL per hour [3]. The latest change in the monthly minimum wage occurs in 2017, its amount being of 2,380 MDL or 14.09 MDL per hour for a full working week of 169 hours [4].



According to the legislation, the amount of the tariff salary is different among sectors. Thus, the tariff salary for workers under first category in the budgetary sector is 2.4 times greater than the labour retribution in the real sector (Table 7).

Such a situation, when the salary has lost its role of labor motivation and reproducing the qualitative capacities (natural, intellectual, professional, etc.) of labor force, is main cause of phenomenon as labor migration, particularly among young people, as well as being in a state of economic inactivity, which contributes to the increase of the underutilization of the labor force.

## CONCLUSIONS

The labor market represents an important place in the modern economic development.. Sustainable socio-economic development is impossible without an efficient and competitive labor market, and the change of this market takes place simultaneously with the development of other resources markets or with a driving force, such as human resources, the manpower, that in the long run has acquired a high qualification and financial independence.

In Moldova, the labor market, being a derivative of the economic development, has some particularities due to its formation was during the transition to the market economy it was affected by different forms of labor force involvement in economic activity and the efficiency of its use. The application of new indicators of underutilization of the working population gives the possibility to highlight the potential and extended workforce. At the same time, the lack of equitable systems of labor remuneration, the low wage level, the imperfect labor regime contributes to the exclusion of and labor force active part from the market and to labor migration abroad in search of better possibilities.

To improve the situation on the labor market, decrease underemployment, increase the efficient functionality and ensure the market competitiveness is needed:

-to develop a scientific mechanism to determine the labor force demand and supply;  
-to establish and develop the Labor Market Observatory, the objective of which will contribute to the analysis of the economic and employment area, the elaboration of the labor market forecasts etc;

-to maintain and extend employment, ensuring the matching of labor supply and demand, applying different flexible forms of employment and incentives to active job search by the unemployed;

-to streamline the forms of development of the partnership and social dialogue in order to improve the situation on the labor market by correlating the interests of the social partners, protecting the labor rights, actively involving the social partners in the practical solution employment policies;

-to improve the legal and normative framework regarding labor retribution according to the experience of other countries, to determine the real cost of the workforce taking into account the advanced social standards.

## REFERENCES

- [1]Codul Muncii al Republicii Moldova, Legea nr.154-XV din 28 martie 2003. Monitorul Oficial al Republicii Moldova, 2003, nr.159-162, art. 648 (Labor Code of the Republic of Moldova, Law no. 154-XV of March 28, 2003. The Official Monitor of the Republic of Moldova, 2003, no. 159-162, art. 648).
- [2]Hotărîre al Guvernului Republicii Moldova nr.219 din 29 aprilie 2015 „Cu privire la modificarea punctului 1 din Hotărîrea Guvernului nr.165 din 9 martie 2010”. Monitorul Oficial al Republicii Moldova, 2015, nr.105-109, art.230 (Decision of the Government of the Republic of Moldova no.219 of April 29, 2015 "On the modification of point 1 of the Government Decision no.165 of March 9, 2010". Official Gazette of the Republic of Moldova, 2015, no. 105-109, art. 230).
- [3]Hotărîrea Guvernului Republicii Moldova nr.488 din 20 aprilie 2016 „Cu privire la modificarea punctului 1 din Hotărîrea Guvernului nr.165 din 9 martie 2010”. Monitorul Oficial al Republicii Moldova, 2016, nr.114-122, art. 544 (Government Decision of the Republic of Moldova no.488 of April 20, 2016 "On the modification of point 1 of the Government Decision no.165 of March 9, 2010". Official Gazette of the Republic of Moldova, 2016, no. 114-122, art. 544).
- [4]Hotărîre a Guvernului Republicii Moldova nr.242 din 26 aprilie 2017 “Cu privire la modificarea punctului 1 din Hotărîrea Guvernului nr.165 din 9 martie 2010”.

Monitorul Oficial al Republicii Moldova, 2017, nr.134-143, art.321 (Decision of the Government of the Republic of Moldova no. 242 of April 26, 2017 "On the modification of point 1 of the Government Decision no. 165 of March 9, 2010". Official Gazette of the Republic of Moldova, 2017, no. 134-143, art. 321).

[5]Hotărîre al Guvernului Republicii Moldova nr.1473 din 30 decembrie 2016 "Cu privire la aprobarea Strategiei naționale privind ocuparea forței de muncă pentru anii 2017-2021". Monitorul Oficial al Republicii Moldova, 2017, nr.109-118, art.272 (Decision of the Government of the Republic of Moldova No. 1473 of December 30, 2016 "On the approval of the National Strategy for employment for the years 2017-2021". Official Gazette of the Republic of Moldova, 2017, no. 109-118, art. 272).

[6]Iorga, A., Toma, E., Dobre, C., Muscănescu, A., 2014, Rural labor force size and structure analysis. Scientific Papers. Series "Management, Economic Engineering in Agriculture and rural development", Vol. 14 (2), pp.169-172.

[7]Legea salarizării nr.847-XV din 14 februarie 2002. ÎMonitorul Oficial al Republicii Moldova, 2002, nr.50-52, art.336 (Salary Law no. 847-XV of February 14, 2002. Official Gazette of the Republic of Moldova, 2002, no. 50-52, art.336).

[8]Legea Republicii Moldova nr.355-XVI din 23 decembrie 2005 „Cu privire la sistemul de salarizare în sectorul bugetar”. În: Monitorul Oficial al Republicii Moldova, 2006, nr.35-38, art.148(Law of the Republic of Moldova no. 355-XVI of December 23, 2005 "On the system of remuneration in the budgetary sector". In: Official Gazette of the Republic of Moldova, 2006, no.35-38, art.148).

[9]National Bureau of Statistics, 2017, Metodologia anchetei asupra forței de muncă în gospodării (Methodology of the household labor force survey).

[10]National Bureau of Statistics (2019). Labour force in the Republic of Moldova. Employment and unemployment.

[11]National Bureau of Statistics, Labour underutilisation in the Republic of Moldova. <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=5208>. Accessed on 01.02.2020.

[12]Rusali, M., 2015, Major developments of Romania's agricultural sector within EU 27 – comparisons post-accession. Scientific Papers. Series Management, Economic Engineering in Agriculture and rural development, Vol. 15 (3):275-277.

[13]Sârbu, O., 2012, The reflection of rural population's occupational situation at its revenues and expenditures level. Scientific Papers. Series Management, Economic Engineering in Agriculture and rural development, Vol. 12 (4):

[14]Sârbu, O., 2013, Economic and social aspects of the demographic ageing process in the Republic of Moldova. Scientific Papers Series Management, Economic Engineering in Agriculture and rural development, Vol. 13(1):353-360.

[15]Sârbu, O., 2013, Particularities of employment in rural areas of the Republic of Moldova. Scientific

Papers. Series Management, Economic Engineering in Agriculture and rural development, Vol. 13(1):361-370.

[16]Sârbu, O., Cimpoies, L., 2017, Poverty reduction in rural areas through agricultural development: evidence from Moldova. Journal "Agriculture and Forestry", 64(1), pp. 81-88.